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C O N F I D E N T I A L SECTION 01 OF 02 QUITO 001047

SIPDIS

DEPT PLEASE PASS TO USTR BENNETT HARMAN

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TAGS: [ETRD](#) [PGOV](#) [EINV](#) [ECON](#) [PINR](#) [EC](#)

SUBJECT: NEW TRADE MINISTER SOUNDS REASONABLE

Classified By: Ambassador Kristie A. Kenney, Reason 1.4 (b), (d)

11. (SBU) Summary: In separate meetings with the Ambassador and AID, Ecuador's new Minister for Trade Oswaldo Molestina said he wanted an FTA with the USG, but was most concerned about the agricultural negotiations. He said that he intended to keep lead FTA negotiator Cristian Espinosa on board, but would add an "adjunct lead negotiator" to handle the "political aspects" of the negotiations. He also asked for a short (2-3 week) postponement of the June FTA round scheduled for Ecuador, but has not yet sought or received approval from his Andean counterparts for the postponement. Molestina said he looked forward to working with us. Our first impression is that Molestina could be someone we could work with, but others in the Palacio administration could eventually hold back Ecuador from concluding an FTA in the near term. End Summary.

Molestina Wants an FTA

12. (SBU) Newly appointed Minister of Trade Oswaldo Molestina told the Ambassador on May 3 that he wants to continue negotiating a free trade agreement (FTA) with the USG. He said his greatest concern was with the agricultural negotiations. Molestina was also looking for USG support in postponing the June round in Ecuador. He wanted to move the starting date from June 1 to June 20, in order for him and his team to get up to speed on the status of the negotiations. Noting his experience in private international law, he mentioned that even he felt inadequately informed about the FTA process when he was living in Guayaquil, prior to his ministerial appointment. Thus, he needed some time to familiarize himself with all of the issues and get his team in place. The Ambassador agreed to contact USTR on the GOE's behalf. (Note: USTR later said it could live with a postponement to June 13, but the GOE would have to convince the Peruvians and Colombians to agree to the postponement. Molestina has a meeting with the Colombian Trade Minister on May 6. End note.)

13. (SBU) To maintain the continuity of the negotiations, Molestina said he would keep Cristian Espinosa as Ecuador's lead trade negotiator. However, he would add an adjunct negotiator to handle the "political aspects" of the negotiations. He was short on details of what that would entail, but said one of the political negotiator's tasks would be to work with the Ecuadorian Congress on the FTA. (Note: In a follow up meeting May 5 with Molestina's (and former Trade Minister Baki's) advisor Diego Ramirez, he noted that the adjunct political negotiator is unlikely to actively participate in negotiations but will focus more on selling any agreement to the public and the Ecuadorian and US Congresses. End note.)

14. (SBU) The Ambassador applauded Molestina's decision to retain Espinosa and agreed that it was important for the Ministry to adequately inform its congress on FTA developments. She noted that Ecuador had much to gain from an FTA. The Ambassador also suggested that the Minister appoint a commercial dispute czar to address pending disputes in an expeditious fashion. Molestina eagerly took the suggestion and mentioned the possibility of forming a permanent unit for businesses and others to go to when commercial disputes arose.

Molestina Wants to Work with US

15. (SBU) In a separate May 3 meeting, AID explained its programs in Ecuador, including its trade capacity building (TCB) efforts. Molestina listened attentively during the hour-long meeting and said he hoped to continue the working relationship. Espinosa, who was also present at the meeting, also praised AID's TCB efforts.

16. (SBU) Molestina said he is a conservationist, very interested in preserving the Galapagos, where he owns a home on Santa Cruz Island. He said he convinced President Palacio to appoint an "ecologist" as the new Governor of the Galapagos. Molestina expressed concern about the politization of the Galapagos National Park management. The Ambassador agreed with him and offered to work together to

protect the islands.

17. (C) Chief FTA negotiator Cristian Espinosa, in a candid conversation with a local embassy employee on May 5, expressed concern about the lack of communication with the Minister. He said the negotiating team was ready to keep to the original dates for the Guayaquil round. He also was concerned about the attitude of Colombia and Peru, which, he said, were actively lobbying in Washington for Ecuador's exclusion from the negotiations. He said that the new government had not yet made any changes in the negotiating instructions.

Comment and Bio

17. (C) Molestina said a lot of the right things in his initial meeting with the Ambassador. Ramirez (a close Embassy contact) also said that he has been impressed by Molestina's practical approach to his new job. Molestina's desire to appoint an adjunct "political" lead negotiator could unnecessarily complicate FTA negotiations that have already gone on for longer than originally scheduled. Still, the new administration was wise to keep Cristian Espinosa in place and had to, for political reasons, insert its own person into the process. That said, Espinosa's statements are cause for some concern.

18. (C) What we do not yet know is how much interference Molestina and the negotiation team will receive from others in the Palacio administration, including Palacio himself, who seem to be less sanguine about an FTA. It is also too early to tell whether Molestina will have much clout in the Palacio administration. His willingness to appoint an adjunct political lead negotiator to sell any FTA seems to indicate that he might be too willing to let others take the lead.

Bio

19. (U) Molestina (age 59) has a JD and Masters Degree in International Law. He was Comptroller General (1988-1998), the Governor of Guayas Province (Democratic Left - ID party, 1990-1992) and a Congressman until 2003. In Congress, he was the President of the International Affairs Committee. He was also Ecuador's representative to the UN General Assembly in 1977.

10. (U) Molestina is a member of the Association of Ganaderos (cattlemen) of Guayas and the Galapagos. He reportedly was recently divorced from the sister of PRIAN party leader, perennial presidential candidate and banana magnate Alvaro Noboa. They have two sons. He speaks English well and likes to sail and play volleyball.

KENNEY